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ATI, Inc. (ATI)

Q4 2025 Earnings Call

CORPORATE PARTICIPANTS

David Weston

Vice President-Investor Relations, ATI, Inc.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Donald P. Newman

Special Advisor to the Chief Executive Officer, ATI, Inc.

James Robert Foster

Chief Financial Officer & Senior Vice President-Finance, ATI, Inc.

OTHER PARTICIPANTS

Seth M. Seifman

Analyst, JPMorgan Securities LLC

Pete Skibitski

Analyst, Alembic Global Advisors LLC

Richard Safran

Analyst, Seaport Research Partners

Scott Deuschle

Analyst, Deutsche Bank Securities, Inc.

Andre Madrid

Analyst, BTIG LLC

Myles Walton

Analyst, Wolfe Research LLC

Gautam Khanna

Analyst, TD Cowen

Philip Gibbs

Analyst, KeyBanc Capital Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Hello and welcome, everyone, to the ATI Fourth Quarter and Full Year 2025 Results Conference Call. My name is Becky and I will be your operator today. All lines will be muted throughout the presentation portion of the call with a chance for Q&A at the end. [Operator Instructions]

I will now hand over to your host, David Weston, to begin. Please go ahead.

David Weston

Vice President-Investor Relations, ATI, Inc.

Good morning, and welcome to ATI's fourth Quarter 2025 earnings call. Today's discussion is being webcast at ATImaterials.com. Joining me here are Kim Fields, President and CEO; Rob Foster, Senior Vice President and CFO; and Don Newman, ATI's retiring CFO, now Senior Advisor to the CEO.

Before starting our prepared remarks, I would like to draw your attention to the supplemental presentation that accompanies this call. Those slides provide additional color and details on our results, capabilities, and outlook and can also be found on our website at ATImaterials.com. After our prepared remarks, we'll open the line for questions. As a reminder, all forward-looking statements are subject to various assumptions and caveats. These are noted in the earnings release and in the accompanying presentation.

Now, I'll turn the call over to Kim.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Good morning, everyone, and thank you for joining us. Before I begin, I'd like to welcome Rob Foster as ATI's new Chief Financial Officer. Rob brings deep operational experience, strong financial discipline and proven leadership to this role after more than a decade at ATI. He has been a trusted financial partner of mine since 2019, and I'm confident he will help lead ATI into its next phase of profitable growth. I also want to thank Don Newman for his leadership over the past six years. Under Don's tenure, ATI completed a successful transformation, expanding margins, strengthening cash flow, and sharpening our focus on differentiated aerospace and defense markets. Don will share highlights from our 2025 performance shortly.

Turning to our results, the fourth quarter capped a very successful full year. We exceeded profit and free cash flow expectations, expanded margins, improved operational reliability and deepened our customer relationships. We are entering 2026 with momentum across our core markets in aerospace and defense.

Let me start with the key results in the fourth quarter. Q4 revenue was \$1.2 billion. Adjusted EBITDA was \$232 million above the high end of our guidance range. Adjusted EBITDA margin was 19.7%, an increase of 180 basis points from Q4 2024, demonstrating continued progress toward our 2027 margin goals. For full year 2025, revenue was \$4.6 billion, up 5% year-over-year, driven by 14% growth in aerospace and defense. Adjusted EBITDA exceeded \$859 million, up 18% year-over-year. Adjusted EPS was \$3.24, up 32% from 2024. Adjusted free cash flow totaled \$380 million, up 53% from 2024, also exceeding the high end of our guidance. We returned \$470 million to shareholders this year, representing 124% of free cash flow. These results reflect disciplined execution, strong pricing and favorable mix, driven by our most differentiated products.

Given our confidence in customer demand and our ability to execute the ramp, we are guiding to \$1 billion of adjusted EBITDA at the midpoint of our guidance range for 2026, a 16% increase year-over-year. There are three key reasons we are confident in this outlook. First, aerospace and defense demand continues to be strong entering 2026. Commercial aerospace demand is accelerating across narrowbody and widebody platforms. Next-generation engines continue to gain share. Airframes and engines rely on ATI's proprietary alloys, forgings and specialty materials. We're seeing a step change increase in order activity beyond what we would normally see in seasonal first quarter strength across both long-term agreements and transactional demand.

Within A&D, full-year engine sales grew 21%. As fleets transition from legacy to next-gen engines, ATI's content per engine is increasing. With these newer platforms moving into service, we also see aftermarket demand growing. Together, these dynamics create compounding growth that strengthens our position year-after-year. A clear example of the growth we've seen is isothermal forging deliveries to Pratt & Whitney, where ATI's content has grown 6x from 2023 to 2025, with further growth ahead. This is largely in support of Pratt's GTF Accelerated Shop Visit program.

As a priority supplier to our key aerospace customers, we continue to gain share and expand content as customers increasingly value on-time delivery, execution, quality and reliability, particularly in areas where other suppliers have experienced constraints meeting ramp-up requirements. In defense, demand remains strong and diversified with increasing governmental spend across naval, air, missile and ground systems. ATI's annual defense revenue grew 14% year-over-year, with missiles up 127%, driven by sustained demand for alloys like C103 and titanium 64 across multiple programs. In 2025, aerospace and defense represented 68% of our full-year revenue, up from 62% in 2024. With forecasted double-digit growth in jet engines alongside continued strength in defense and airframe demand, this mix will continue to increase over time.

Beyond aerospace and defense, specialty energy is emerging as a meaningful growth driver for ATI, delivering 9% year-over-year growth in Q4. While it remains a smaller portion of our portfolio today, the growth is supported by multiyear customer commitments. The business is ramping as demand for AI-driven power infrastructure accelerates across nuclear and land-based gas turbine markets. We recently renewed a long-term specialty energy contract that expanded our share by more than 20%, establishing ATI as their majority supplier and further strengthening our visibility and pricing position as this demand cycle continues to build. ATI's differentiated capabilities in zirconium, hafnium and other exotic alloys position us as a preferred and increasingly key supplier. The second thing driving our confidence, ATI's growth is anchored in proprietary products and long-term agreements that expand share, improve mix and secure enhanced pricing.

Turning to slide 6, I'm pleased to announce that ATI is now producing six of the seven most advanced jet engine nickel alloys, with the remaining alloy produced exclusively by the OEM. We're expanding our proprietary portfolio and reinforcing ATI's competitive moat on the key components of next-generation engines. These products are supported by long-term agreements that secure volume, pricing and returns, and align capital deployment with customer demand, very few suppliers to match our capabilities at scale. Number three, capital discipline and operational execution remains central to our strategy.

As I've shared in the past, our top priority is unlocking capacity through productivity, yield improvements, debottlenecking, and equipment reliability. In 2025, these actions delivered measurable results, including double-digit increases in remelt output, significant cycle time reductions in downstream heat treats, and increased equipment uptime, all without significant incremental capital. When we do invest, projects are secured with long-term customer commitments, often a decade or longer. Many include direct customer funding, enhancing predictability and increasing returns above our 30% return threshold. And each investment is evaluated holistically to ensure durable pricing and protect long-term returns.

In 2026, capital investment, net of customer funding will be in the range of \$220 million to \$240 million, with growth CapEx focused on proprietary engine alloys and high return opportunities. This CapEx guidance includes investment in our nickel melt system, including a new primary melt VIM furnace, along with the previously announced remelt equipment. We are modernizing and upgrading our melting systems, expanding capability, improving quality and delivering operating efficiencies for our differentiated engine alloys our customers rely on. The new capacity will come online in the second half of 2027. Contract backed with customer co-funding, these projects target a run rate of about \$350 million of incremental nickel revenue by mid-2028.

Our targeted phase investment strategy is focused on differentiated nickel capability, not broad capacity expansion. These commitments reflect strong demand for ATI's proprietary hot-section alloys and customers' willingness to partner with us to secure essential supply. 2026 is off to a strong start. Incremental operational improvements are already underway and we see tangible opportunities to streamline processes, reduce costs and expand margins. As an operations leader at heart, I know the value created by integrating our capabilities and delivering as One ATI, and I'm confident that opportunity remains firmly within our control.

I'll now turn the call over to Don.

Donald P. Newman

Special Advisor to the Chief Executive Officer, ATI, Inc.

Thanks, Kim. 2025 was a proof point for ATI. Strong aerospace and defense demand translated into richer mix, sustained margins, robust cash flow, and a stronger balance sheet. In the fourth quarter, we finished the year with solid execution across the business and strong cash generation. This reinforces our confidence in ATI's long-term strategy. Revenue for the full year totaled \$4.6 billion, our highest annual revenue since 2012. Sales were up 5%

over 2024, powered by 14% growth in aerospace and defense overall. Within A&D, jet engine sales grew 21% year-over-year and defense grew 14%. Our transformation continues as we focus our mix on ATI's most valuable products and customers.

Full-year adjusted EBITDA exceeded \$859 million, up 18% over 2024. Adjusted EBITDA was \$232 million in the fourth quarter, \$1 million above the high end of our guidance. This is a 3% sequential increase over a strong third quarter and up 11% over last year's fourth quarter. Free cash flow for the full year totaled \$380 million, up 53% year-over-year. Full-year operating cash flow increased more than 50% to \$614 million. Managed working capital improved sequentially to 32.5% of sales in the fourth quarter.

Capital expenditures for the year totaled \$281 million, of which customers funded \$25 million for a net expenditure of \$256 million. These investments supported growth, reliability, and improved product flow focused on our highest return differentiated products. Other deployments include repayment of \$150 million of debt in Q4 and repurchasing a total of \$470 million of our shares during the year.

We are pleased with the continued progress and expanding margins. In 2019, our adjusted EBITDA margins were 10.7%. Then, we launched our strategic transformation. The strategy to focus on our differentiated products in the A&D markets, along with improving operations, resulted in adjusted EBITDA margins of 19.7% this quarter, a 900 basis point increase in profitability. The momentum is building. Full-year 2025 consolidated adjusted EBITDA margins were 18.7%. That's a full-year increase of 200 basis points, up from 16.7% in 2024. Both segments are contributing.

In HPMC, our full-year margin was 23.6%, up 330 basis points over 2024. Q4 margins were 24%, up 400 basis points from the same period last year. AA&S segment continued its strong A&D expansion with a full-year margin of 16.3%, up 90 basis points over 2024. AA&S Q4's margin was 18.5%, an increase of 220 basis points from the same period in 2024.

Let me say, it's been an absolute pleasure and honor to be ATI CFO these past six years. I am confident the strategy we have put in place will be successful. The transformation we've achieved together in my time here is nothing short of extraordinary, and there is much more to come. This is a business with unique and integral capabilities, perfectly positioned in key end markets that will see robust growth for years to come. I have absolute faith in Kim, Rob and the team to take ATI to its full potential. Thank you to our entire ATI team for their tremendous performance. This is only the start. As Kim and Rob will outline, there is a long runway for growth ahead with a fantastic next chapter beginning in 2026.

Now, I will turn the call over to Rob.

James Robert Foster

Chief Financial Officer & Senior Vice President-Finance, ATI, Inc.

Thank you, Don. I am honored and privileged to serve as the next Chief Financial Officer for ATI, building upon the record of success you and Kim have delivered for many years.

Let's jump right in with our 2026 guidance. As I look at 2026, I see ATI growing the top and bottom line, expanding margins every quarter. That growth and margin expansion reflect price capture under LTAs, volume increases, improved mix, as well as operating efficiencies. For the first quarter of 2026, we are positioned for adjusted EBITDA of \$216 million to \$226 million, which equates to an EPS range of \$0.83 to \$0.89. At the midpoint, this represents a 14% increase in adjusted EBITDA over Q1 2025. The guidance for Q1 reflects seasonality, including planned maintenance in HPMC. For the full-year, we are setting initial adjusted EBITDA guidance of \$975 million

to \$1.025 billion. The midpoint of \$1 billion is a 16% increase over 2025 as we extend the path for profitable growth in our core markets beyond aerospace and defense to include specialty energy. These earnings translate into initial full-year range of adjusted EPS of \$3.99 to \$4.27.

Turning to adjusted free cash flow. We target a full-year range of \$430 million to \$490 million. The \$460 million midpoint is \$80 million higher than 2025, a 21% year-over-year increase. Embedded in this range are gross CapEx investments of \$280 million to \$300 million, which will be partially offset with customer CapEx funding of about \$60 million. As we said before, our growth plans includes substantial commitments from our customers. Net of customer funding, which is the most meaningful representation of cash invested by ATI, our adjusted 2026 CapEx range is \$220 million to \$240 million. These investments prioritize our differentiated products and are supported by customer product purchase commitments under LTAs with contracted prices.

Our adjusted free cash flow range reflects reduction in managed working capital as a percentage of sales to 31% or lower in 2026. We continue to build upon the efficiencies we're unlocking in inventory and receivables management. The successes we've achieved in 2025 point us towards more consistent cash flow generation by quarter, as we work to reduce the seasonality in our cash flows. In terms of capital deployment beyond CapEx, we have no meaningful debt maturities until December 2027 and no significant planned debt repayments in 2026.

Returning capital to shareholders has been and will continue to be a priority for ATI. Since 2022, we have repurchased about \$1 billion of our shares at an average price of \$51 per share. We currently have \$120 million remaining under our existing share repurchase authorization to be completed in 2026. As this program completes, we intend to seek board approval for additional share repurchase authorization.

Let me share some of the key building blocks and the financial metrics that support our 2026 outlook. Here is how we see growth for the year, starting with end markets. In jet engines, our largest end market, we see rates in the mid-teens for the full year 2026, as we leverage price and mix to our advantage. In airframe products, we see mid to upper single-digit growth, with most growth occurring in the second half of the year as OEM production rates increase and customer inventory balances normalize. The projected increase in defense spending is well represented in our diversified portfolio of defense products. We are on track for 2026 to mark our fourth consecutive year of double-digit growth in defense, with growth rates in the mid-teens. Our A&D sales mix will continue to increase in 2026, with our A&D portfolio in line to represent more than 70% of our sales for full-year 2026.

We're evolving into a model of sustainable and profitable growth in specialty energy, targeting double-digit growth in 2026. This will be underpinned by an expanding portfolio of long-term contracts with accretive margins, similar to our A&D LTA portfolio. We are purposely prioritizing A&D and specialty energy using 80/20 and allocating differentiated production capacity to focus on our highest value markets. We're strategically reducing capacity allocations in industrial, medical and electronics for 2026 sales are trending down by low to mid-single digits. As a reminder, medical and electronics each represent only 3% to 4% of our total sales.

Turning to adjusted EBITDA margins, we see continued margin expansion in 2026, with full-year consolidated margins in the range of 20%. To put a finer point on it, margins are tracking to the upper teens in the first half of the year, then above 20% in the second half, that reflects planned maintenance in the first quarter. In the second half, price increases under LTAs lift sales, profits and margins. For modeling purposes, consider the first quarter consolidated EBITDA margins to be between 18.5% and 19%. At the segment level, full-year margins for HPMC will be in the range of 25% and AA&S in the upper teens, with sequential expansion each quarter. Building out the model a bit further, plan for consolidated incremental margins for the full year to average 40% with second half 2026 margins above 40% due to LTA price increases.

As noted in the past, HPMC incremental margins are typically higher than AA&S, reflecting sales mix and end market pricing dynamics. Those are general guidelines that can vary by product and marketing customer that serve as top level indicators of ATI's anticipated growth impact this year. These incremental margins are higher than we have signaled in the past. That increase reflects improved mix, price, volumes and operational performance delivered across our portfolio. There are additional elements to our guidance including the slide deck we shared this morning that will help with modeling 2026. As I begin my tenure as ATI's Chief Financial Officer, I am confident in our opportunities and energized to extend and build upon the performance of this highly differentiated and capable enterprise.

Kim, I will turn the call back over to you.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Thanks, Rob. ATI enters 2026 with a strong foundation, differentiated capabilities, robust contractual partnerships, disciplined capital deployment, and a proven ability to execute. Over the past several years, we've transformed ATI into a business where these strengths reinforce one another. Differentiated materials lead to long-term contracts. Those contracts secure premium pricing, expand share and generate cash and that cash is reinvested with discipline, expanding capacity, improving reliability, and deepening our role across the most strategic customer platforms. The world increasingly relies on ATI's differentiated capabilities to support next-generation aircraft, advanced defense systems, and expanding energy generation, and we are delivering to meet that demand.

With that, let's open the line for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Seth Seifman from JPMorgan. Your line is now open. Please go ahead.

Seth M. Seifman

Analyst, JPMorgan Securities LLC

Q

Hey. Thanks very much and good morning, everyone. Don, just wanted to say thanks for all the help over the years and congratulations and best of luck. Why don't you start off maybe with a little bit of a big picture question? I know you probably can't talk about a lot of the details. But when we're thinking about expanding capacity with customer support, how do we think about how much of the new capacity is dedicated to the customer versus how much you have at your disposal to serve other customers? And then also the customer support helps to reduce the denominator in the ROI. How do we think about the impact on the numerator?

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Hey, Seth. Yeah. And you're right, we can't share a lot of details around what products or what projects these go to, unless we've done a public press release which we have on some of these in the past. The way to think about that and the way that these are structured, these agreements is that it's really around security of access to highly constrained differentiated materials. And so as we are partnering to do these investments, the customers are one,

looking to ensure that that capacity is available and they have right of first refusal for whatever that negotiated amount is. But beyond that, as we are managing our mix and managing demand, we're able to flex and move that to support whatever business at the time makes the most sense for us. So, it does give them, like I said, that surety that there's investment and supply coming. We work very closely. I think the other benefit for us, maybe twofold, one is that alignment around customer demand when they need it, so it's coming on exactly when that demand is coming, but also the qualification becomes much more abbreviated because of the focus around resourcing and the investment and alignment of interest there.

On your question around the returns, I've shared in the past our threshold for returns on our projects are all 30% plus, and obviously, with this contributed capital from our customers, that helps drive those projects even more robust returns for us over the project timeline.

Seth M. Seifman

Analyst, JPMorgan Securities LLC

Q

Excellent. Thanks. And maybe just as a quick follow-up, if you could provide an update on – I think you talked about airframe growth being more pronounced in the second half of the year. So just maybe an update on the stocking situation there and what kind of visibility that you have.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Yeah, I would say, airframe inventories are getting much closer to being in line. Inventory alignment has progressed meaningfully through 2025. As I shared in the past, they only had pockets where the inventory they're working to normalize that. And so from our perspective, as we see inventories across that supply chain, it's largely it'll be rightsized by 2026 and that's where we are anticipating that. We'll start to see some modest improvement in order rates and demand as we get into the second half. And clearly, Boeing had some great news to share this week. They're on a great path. And as they continue to pull and increase their ramp build rates, we anticipate that normalization moving even quicker.

Seth M. Seifman

Analyst, JPMorgan Securities LLC

Q

Great. Thank you very much.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Sure.

Operator: Thank you. Our next question comes from Pete Skibitski from Alembic Global. Your line is now open. Please go ahead.

Pete Skibitski

Analyst, Alembic Global Advisors LLC

Q

Hey. Good morning, guys. Nice quarter. Hey, Kim, you've had some great history here in terms of defense sales and nice projection and we still – it seems like there's still a lot of runway there with this reconciliation bill spend yet to come. I was wondering if you could parse out some of the pieces of defense revenue. I think naval is about 50% of defense for you, but maybe you could talk about missile some more in terms of how big that could be,

because we're seeing some historic contracts for PAC-3 and THAAD, items that you guys have content on. So, was just wondering if you could parse through some of the growth drivers in defense there. Thank you.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Yeah, sure. And yeah, I'm very excited about defense. For the full-year 2025, it was up 14%. We're expecting that growth to accelerate into the mid-teens in 2026. And as you said, the spending that is coming in the programs that we have content and are supported are going to just continue to accelerate that. So, as you said, as we break down and I look at the defense markets, just generally naval and nuclear is probably a little bit less than you said, I mean, closer to 35% to 40% of that overall. And then missile today is around, say, 20% of that total.

And as I mentioned, we're continuing to win new content on both current programs, as well as development and new programs. And so, I mentioned in the prepared remarks specifically around PAC-3 and THAAD utilizing our very specialized C103 material. We're one of the few US suppliers and producers of that material and that really goes into that high temperature, high strength applications. And then the titanium 64, which goes to helping support the EB investment that we made over the last few years, it's coming online very well. It's right at the right time. And as you said, both of those missile programs, I think they're up 3x to 4x in spending as we work to replenish our stockpile. So defense is an area that is continuing to grow. It's a very attractive market for us. And it does have a lot of improvement and opportunity as we go into 2026 and beyond frankly.

Pete Skibitski

Analyst, Alembic Global Advisors LLC

Q

Great. Thanks, guys.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Sure.

Operator: Thank you. Our next question comes from Richard Safran from Seaport Research Partners. Your line is now open. Please go ahead.

Richard Safran

Analyst, Seaport Research Partners

Q

Thanks very much. Good morning, everybody. Don, it's been great working with you, best of luck. First question I have – I think it's the obvious one. Are you still good with your 2027 guide that you have out there? I'm kind of curious if you'd like to update it right now. I mean, you're guiding to \$1 million to \$1.2 billion in EBITDA in 2027. And as Kim, you said you're guiding to \$1.26 billion at the midpoint. And if I heard you right, you're expecting 40% incremental margins in 2026. So, I guess, what does this all say about your 2027 guide?

James Robert Foster

Chief Financial Officer & Senior Vice President-Finance, ATI, Inc.

A

Yeah. Hi, Rich. This is Rob. I'll jump in here. When I think about the 2027 guidance, I'm really confident in the guidance. It's not – I guess everyone doesn't know, but I was a part of the team prior to being the president of our specialty alloys and components business. I was running the operational finance group. So been very closely involved with these numbers and very confident in our ability to achieve these kind of targets. At this point, I'm going to spend some time in the chair and we're going to get to reviewing the outlook in longer range in normal

course, and I'll be in a position to give you an update whenever we get to that point. I'm not there yet, but I will say that I do have some bias to the top end of the EBITDA margin percent and I do feel really confident with those 2027, but we're not in a position right now to give an update.

Richard Safran

Analyst, Seaport Research Partners

Q

Okay. Thanks. Second. Kim, I think this is following up on some of your comments about defense possibly, but past few years have been pretty good for share gains. Pratt, VSMPO, you picked up. I'm kind of curious what the opportunity set is for share gains in 2026? And I'm thinking given spending levels, are most of them in defense right now? I mean, that's just my take on things, but I'm very interested in what you're seeing. Thanks.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Yeah, Rich, it's an interesting perspective because as I look at 2026, I see opportunities for share gains, and in fact, we've already had a couple here early in the year across three key markets. One is defense as you mentioned and I talked about some of those programs in the missiles, but also in the jets and rotor hub areas as well, where I know we are winning share, taking share, winning new programs and new parts on that equipment. But the other two areas that I think we still have opportunities are one in jet engine and second in specialty energy. Both of those I would say over just the last 30 to 60 days, we won significant new share positions, and really those are related to where our peers maybe are challenged to meet the requirements of the ramp, are challenged to meet the requirements of the OEMs to support those rates and win that.

And again, I mentioned those materials on slide 6 that we've got the proprietary differentiated materials, those give us the opportunity then to grow and continue to grow that content on each of those engines. And I'm very pleased that our customers do feel like they can rely on us to deliver reliability, high quality products, and I'm seeing share gains across all three of those. And again, the tailwinds for the growth of those three markets as well and increasing demand, I think, are going to continue to open up new opportunities for us to go in and win share and win new program positions.

Richard Safran

Analyst, Seaport Research Partners

Q

Thank you very much.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Thank you.

Operator: Thank you. Our next question comes from Scott Deuschle from Deutsche Bank. Your line is now open. Please go ahead.

Scott Deuschle

Analyst, Deutsche Bank Securities, Inc.

Q

Hey, good morning. Kim, based on the \$350 million revenue disclosure you offered, it looks like you'd be adding around 9,000 tons of annual nickel melt capacity with this new VIM, at least based on my napkin math. Does that sound roughly right in the right ballpark?

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Hey, Scott. Generally, it's a little bit mix dependent, right? So the materials that this purpose built capital is going in for have differences around melt rates, around production time. And so you're in the ballpark, but again, that's part of the reason we share the revenue targets because some of these are very, very difficult and complicated to make, and so it doesn't equate to what you may see as a general purpose capacity or run rate.

Scott Deuschle

Analyst, Deutsche Bank Securities, Inc.

Just as a follow-up, can you share how the melt times typically compare for one of these exotic alloys like Rene 65 versus a more standard alloy like 718?

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Yeah, I would say if you take kind of 718 versus maybe one of those proprietary alloys on that slide 6, it could be up to 3 to 4 times longer melt times. These are all specified controlled melts to get that quality and grain structure requirements that the OEMs are looking for.

Scott Deuschle

Analyst, Deutsche Bank Securities, Inc.

That's really helpful. Thank you. And then Rob, I was just wondering if you could walk us through the 2026 pricing outlook, specifically for the exotic alloys that AA&S makes, zirconium, hafnium and niobium. Obviously, some big moves on the hafnium market securities. So curious what that pricing outlook looks like for 2026.

James Robert Foster

Chief Financial Officer & Senior Vice President-Finance, ATI, Inc.

Yeah. So at a high level when I think about the [ph] lock (00:36:54) from the 2025 EBITDA to the 2026 guidance, the way to think about it is roughly 50% pricing, 50% volume. And yeah, there has been some pretty significant movement with some of the alloys within our specialty alloys and components business, as well as some of the other businesses that we have. We don't really disclose that detail. We do talk about zirconium and related products. Thinking about that in the context, it's just under 10% of our kind of volumes in terms of revenue. But I will say that the pricing assumptions that were used in the 2026 guidance aren't too far from the current information available. So we've considered a lot of that movement into our 2026 guide.

Scott Deuschle

Analyst, Deutsche Bank Securities, Inc.

Thank you.

Operator: Thank you. Our next question comes from Andre Madrid from BTIG. Your line is now open. Please go ahead.

Andre Madrid

Analyst, BTIG LLC

Yes. Good morning, everybody. And Don, thank you again for everything and best of luck in future endeavors.

James Robert Foster

Chief Financial Officer & Senior Vice President-Finance, ATI, Inc.

Thank you, Andre.

A

Andre Madrid

Analyst, BTIG LLC

Not to nitpick but when looking at airframe, I think you guys are now projecting mid to high-single digit, but before it was just high-single digit for 2026. I mean, what's giving you any pause there? And what would need to happen for you guys to come in the lower side of that range?

Q

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Yeah, I'd say our guidance is built on executed customer production schedules and contractual commitments and not necessarily those headline build rate targets. So, as you said, we're coming in at that mid to high-single-digit growth rates. But specifically, what we base our outlook on is the OEM order rates schedules that they've given us for both Airbus and Boeing. Contractual minimums, I'll just remind you that our Boeing contract has contractual minimum. There's order frameworks and timing for both of those that tie demand, material demand to those actual production plans. And I would say, what's really coloring this is maybe a conservative view of the timing, particularly early in the year where we are today, rather than assuming immediate full rate execution. And so, we'll continue to update that as we go through the year. But we're encouraged by that progress Boeing shared on production. But we're not assuming best case rate acceleration as we go through the year.

A

So the guidance is really a measured ramp, airframe weighted toward that second half of 2026 with production rates that convert to orders and shipments. And as far as upside or what would have to be true, these contracts as I shared with you expanded both our mix, our participation, our product portfolio. We won price, we won share. And so as they start to accelerate those build rates, we anticipate capturing that share and that volume as we go into the back half of the year. So taking all this together supports really – we're looking at steady airframe growth throughout the year, modest in the first half, accelerating in the second half, resulting in that mid to high-single-digit growth for 2026.

Andre Madrid

Analyst, BTIG LLC

Got it. That's helpful color. Thank you, Kim. And if I could just squeeze one more in. I mean, looking at jet engine, it looks like this was a second quarter MRO coming in at about half of jet engine. Do you expect similar contribution into 2026? Is that what's baked into the guide?

Q

James Robert Foster

Chief Financial Officer & Senior Vice President-Finance, ATI, Inc.

Yeah. Scott, so when I look at the frame, I would say that the jet engine growth in 2026 assumes roughly that continuation of mix being 50% MRO, 50% OEM.

A

Andre Madrid

Analyst, BTIG LLC

Got it. Awesome. Appreciate the color everybody, and have a great day.

Q

Operator: Thank you. Our next question comes from Myles Walton from Wolfe Research. Your line is now open. Please go ahead.

Myles Walton

Analyst, Wolfe Research LLC

Q

Thanks. Good morning. Kim, you commented on the non-seasonal nature and pickup of order activity the start of the year. Can you maybe expand upon that directionally where that's coming from, how unusual it is in a quantification manner? And then where did the backlog end up at year-end?

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Sure. I could definitely, Myles, talk through that. So, we did see an uptick in orders and strength in order inquiries, as well as order placements just in the first 30 days here of the year already. And what we're attributing and what it looks like is that it's related to supply chain readiness moves, as people are moving and are taking the positive feedback and Boeing's progress to get in position for upcoming rate increases. I will say from a magnitude standpoint, it's coming in very strong, maybe stronger than we've seen in the last few years for these products and for the airframe applications, but we really don't rely on that short-term transactional buying. Nearly most of our exposure is governed by that airframe and long-term agreements that very closely tied to customer production plans. But we're going to continue to monitor that. It kind of goes to my earlier comments around the airframe market and we'll monitor as they continue to make those rate increases, both Boeing and Airbus, and an update that as we see opportunities.

Myles Walton

Analyst, Wolfe Research LLC

Q

And the backlog, that the – provide that at year-end...

[indiscernible] (00:43:13)

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Oh, sorry.

Myles Walton

Analyst, Wolfe Research LLC

Q

[indiscernible] (00:43:14)

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Yes. From a backlog standpoint – our backlog today remains just under one year of revenue, which is about where we'd like to see that backlog at. The one thing that I would anticipate seeing, when I look at lead times for those materials as we just talked about and those proprietary materials around PQ titanium, nickel alloys or specialized nickel alloys, and the exotic alloys like hafnium and zirconium, all of those are extending, some up to 2x since a quarter ago. And so, I – we are looking and we would expect to see that backlog start to come up a little bit as we continue to implement productivity improvements and efficiency improvements to produce those orders and get those shipped. I say in general, those are up. It's up about 3%. But as I said, we target around one year of backlog generally.

I think the other thing I'd just mentioned is that the backlog is not a universal indicator. As we've talked about many times before, a lot of our customer demand is contracted. And with those contracts, what that affords our customers is a reserved place in line. And so, what I say is it's been – the supply chains have stabilized. I've seen some really nice order patterns generally coming in. But what we don't have is you don't have customers coming in and maybe speculative buying or putting in their orders extra early, because they know when we get to the lead times and frozen windows that they've got a spot and load those against their forecasts and what we've reserved for them. So the one path was that early in the year, watching the supply chain ready for the airframe ramp and that might have some impact. But generally, we'll stay in about the range that we're at today.

Myles Walton

Analyst, Wolfe Research LLC

Thank you.

Q

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Sure.

A

Operator: Thank you. Our next question comes from Gautam Khanna from TD Cowen. Your line is now open. Please go ahead.

Gautam Khanna

Analyst, TD Cowen

Hi. Good morning, guys.

Q

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Good morning.

A

Gautam Khanna

Analyst, TD Cowen

And congrats to both Rob and Don. I had two quick ones. First, I was wondering if you could just characterize the VIM capacity add as a percentage of your capacity. So, how much does it add to it? And maybe if you could give us some context on how many nickel alloy VIMs that you actually have as well, any answer, and I have a follow-up.

Q

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Sure. So we aren't really sharing the total capacity add. As I said, it's difficult to measure given the product portfolio and how that mix can change, depending on which products that we're making. As I said, we're adding this capacity. It's targeted and it's phased. It's going to focus on supporting those next-gen alloy platforms like LEAP and GTF with that different shape rotating part alloys that are shown on slide 6. So that – the \$350 million run rate in 2028 is a good way to think about incremental revenue as you start to model and look forward. From a VIM capacity standpoint or number of VIMs that we have, we have currently four VIMs. But what I – my caution is obviously this investment allows us to upgrade with state-of-the-art equipment and technology, helping to drive the highest quality product and cost competitive production. And so we anticipate that there will be some

A

improvements in productivity and output from the brand new equipment and new controls and so forth. So today, we have four, this should be our fifth.

Gautam Khanna

Analyst, TD Cowen

Q

And just to put a finer point on it, I mean, I know it depends on mix and the like and therefore, you're talking about revenue and not tonnage. But do you have a ballpark sense of what the capacity increase is? Is it like 10%, 15%, because it's simple to say you go to 4 to 5, it's 25%? And just ballpark, I'm not asking for specifics.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Yeah. Well, I'd say, I shared previously the remelt gives us kind of 8% to 10% and I would say this is in that ballpark.

Gautam Khanna

Analyst, TD Cowen

Q

Okay.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

And again...

Gautam Khanna

Analyst, TD Cowen

Q

So, I mean, the other...

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

...part of that revenue – yeah, I was just going to say part of that revenue uptick is really around the price and mix that we're winning with the LTAs that are supporting this asset and we're about 80% contracted right now for that capacity.

Gautam Khanna

Analyst, TD Cowen

Q

Thanks, Kim. And I was just curious also, as we look to 2027 and beyond, what's your ballpark sense of how much price we as outsiders should anticipate the company will get, company-wide, if you will, pricing year-over-year 2026 to 2027, 2027 and beyond?

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Well, as I look at 2026, we see substantial price opportunities and mix as we're going forward. These assets and the products that we're making, as I've shared a couple times, proprietary hot-section rotating parts, they go into both MRO and OE. Almost every shop visit is going to be looking at those compressor discs and turbine discs. And so, as we're going forward, we're continuing to maintain that value-based pricing. It's protected under long-term agreements. I would say as you look at our guide for 2026 for example, you can say half of that is related to

price and mix that uptick and the other half is volume. And I would anticipate that continuing throughout the decade as we bring on these new assets and bring these new materials to our customers.

Gautam Khanna

Analyst, TD Cowen

Thank you.

Q

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Sure.

A

Operator: Thank you. Our next question comes from Phil Gibbs from KeyBanc Capital Markets. Your line is now open. Please go ahead.

Philip Gibbs

Analyst, KeyBanc Capital Markets, Inc.

Hey. Good morning.

Q

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Good morning.

A

James Robert Foster

Chief Financial Officer & Senior Vice President-Finance, ATI, Inc.

Good morning, Phil.

A

Philip Gibbs

Analyst, KeyBanc Capital Markets, Inc.

I just want – want to just ask a general question on head count. And what are your plans on staffing for 2026 as you meet some of these growth aspirations?

Q

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Yeah. Thanks, Phil. I'd say we're stable on head count as I look at – and that really stabilized through 2025. And you saw the efficiency and the equipment reliability and that improvement that was then flowing through our financials as our employees moved up the learning curve and became more experienced. So from an overall metric, we're not seeing any spikes in hiring or a lot of new hiring coming in now. Now, as you mentioned for this new capacity, we are – we've got some open positions to help support that even today. But I will tell you, support from our current experienced workforce has been overwhelming. For example, I know they posted six positions here just in the last two weeks and they had 60 of our current employees that are excited and want to be part of this project and moving over.

A

And so, our goal is to bring in our most experienced operators that know how to make these very, very tough to produce and long qualification times. And that's really where I'm focused as we think about how do we accelerate the qualification of this new equipment that we've brought in. I've given you kind of a six to nine-month qualification time with the revenue run rate. But I do anticipate given the experience, operators will be moving in

and the installed base and quality systems that already support these products, and obviously, the alignment with our customers, that will be able to accelerate that. So, overall not huge hiring demands. We'll do it in a measured, disciplined way. But we've got a lot of enthusiasm, I'd say, from our current workforce that want to be part of these investments in this new project.

Philip Gibbs

Analyst, KeyBanc Capital Markets, Inc.

Q

And then just as a follow-up on isothermal forgings, you've got jet engine growth in the mid-teens for 2026. Is the isothermal forging piece likely to grow beyond that as you continue to gain share and content and new expanded VIMs with folks like Pratt? And I think you also have maybe more engine manufacturers growing in that portfolio and beyond Pratt with capabilities. So maybe talk to some of that because I know it's an important differentiator for you. Thank you.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

A

Yeah. Iso-forging is – it's a very important part. It's in high demand. Our lead times are out beyond 18 months at this point. As you look at the engine OEMs, we support all three, almost is close to an even mix between the three, especially as you mentioned with the GTF and the growth and the share we've had over the last two years with them, that will continue to grow. I do see continued increase demand from all three where they're looking for things between MRO, upgrade packages, modifications. So those are continuing to come in. And we're really focused on the productivity, the debottlenecking, continuing to expand the new heat treat and ultrasonic testing capabilities that we brought online. So we do see growth there. I do think as we work through this year, but as we think about the rest of this decade, that will be an area that we'll be talking with our customers closely around making sure that we've got the right capacity in place to continue to support their needs.

Philip Gibbs

Analyst, KeyBanc Capital Markets, Inc.

Q

Thank you.

Operator: Thank you. We currently have no further questions. So, I'll hand back over to Kim for closing remarks.

Kimberly Ann Fields

President, Chief Executive Officer & Director, ATI, Inc.

Thank you. So as ATI enters 2026, we're entering from a position of strength and momentum. I want to thank our customers for their continued trust, our shareholders for their support, and most importantly, our ATI team for another outstanding year of execution. We're confident in the path ahead and look forward to updating you on our progress.

Operator: This concludes today call. Thank you for joining. You may now disconnect your lines.

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